

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2004-118

April 29, 2004

AQUA MAINE, INC. – OAKLAND
Request for Approval of
Special Rate Contract for
Sale of Water to the Waterville
Country Club

ORDER APPROVING
AGREEMENT

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY OF DECISION

On February 12, 2004, the Aqua Maine, Inc. – Oakland Division (Division) filed a request for approval of an Agreement for Potable Water Service (Agreement) between it and the Waterville Country Club (Club) pursuant to 35-A M.R.S.A. §703(3-A). In this Order, we find that the Agreement reasonably meets the needs of the Division and the Club and is consistent with the interests of the Division's other ratepayers. Accordingly, we approve the Agreement.

II. BACKGROUND

A. Aqua Maine, Inc. – Oakland

The Division serves approximately 938 customers in Oakland. The Division purchases its water from the Kennebec Water District for \$1.03 per hundred cubic feet and re-treats the water with sodium hypochlorite before supplying it to customers. Currently, the Division supplies water to the Club primarily for irrigation purposes. The Club accounts for approximately 10% of the Division's total water sales and 3.5% of the Division's total water revenue.

B. Waterville Country Club

The Club uses approximately 10,500 hundred cubic feet of water per year for irrigation purposes. The Club has an average daily use of approximately 47,000 gallons. Maximum-day demands are as high as 125,000 gallons per day (gpd) during the summer months.

The Club retained Acheron Engineering Services of Newport, Maine to investigate the economic and technical feasibility of developing an independent source of irrigation water for the golf course. The study found that the Club pays an average of about \$25,000 per year for approximately 8 million gallons of water at a current rate of \$2.27 per hundred cubic feet.

The study also determined two possible sources of irrigation water for the Club. The first and most feasible option was to drill deep bedrock wells and construct storage ponds to meet the necessary pumping rate of 800 gallons per minute needed to supply the irrigation system. The second option was to build a pumping station near Messalonskee Stream and/or Messalonskee Lake. This option would also include a small storage pond.

The study considered the costs associated with constructing the well system based on the average day flow and the maximum day flow. The cost estimates for the well systems are shown in the "Waterville Country Club Water System Cost Analysis" spreadsheet on page nine of the report. The cost of the groundwater systems would be approximately \$1.94 per hundred cubic feet.

II. DISCUSSION AND DECISION

The Division, under the proposed contract, commits to supply the Club up to an average daily flow of 50,000 gpd and up to a maximum instantaneous flow of 1000 gallons per minute (gpm). The Club is not required to pay a minimum bill or to purchase a minimum amount of water. The agreement has an initial term of five years beginning on the date it is approved by the Public Utilities Commission.

In evaluating the need to enter into a special rate contract with any customer, the Division should independently evaluate the economic and technical feasibility of any alternative water supply and, given the totality of circumstances, the likelihood of that customer pursuing such a course. The Division should only consider negotiating a special rate contract if a technically feasible alternative supply would cost less than obtaining service from the Division, and it appears likely that the customer will pursue the alternative. In negotiating a special rate, however, the Division must ensure that the rate exceeds its marginal costs.

The Division determined its marginal cost to be \$1.51 per hundred cubic feet. The proposed contract rate (\$1.625) will exceed the marginal costs by \$0.115 per hundred cubic feet.

Based upon the preliminary engineering study and subsequent letters, it appears that the Club has a technically feasible and economic alternative to water service from the District and therefore meets the criteria the Commission has established for approval of special rate contracts. These considerations cause us to accept the judgment of the District trustees in entering into the Agreement.

Our approval here should not be viewed as precedent concerning our treatment of special rate contracts. See, e.g., *Searsport Water District, Proposed Increase in Rates*, Docket No. 97-793, Order at 11 (July 23, 1998). Rather, we base our decision on the

unique circumstances facing the Division and the Club and our finding that the Agreement is consistent with the interests of the Division, the Club and the Division's other ratepayers.

Accordingly, we

A P P R O V E

The Agreement for Potable Water Service Between Aqua Maine, Inc. – Oakland Division and Waterville Country Club filed on February 12, 2004.

Dated at Augusta, Maine this 29th day of April, 2004.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320 (1)-(4) and the Maine Rules of Civil Procedure, Rule 73 et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320 (5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.